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**NATIONAL ASSOCIATION OF RAILROAD
AND UTILITIES COMMISSIONERS**

**PRINCIPLES OF RATE REGULATION
IN THE BUS INDUSTRY**

**Final Report of a Special Committee of
The National Association of Railroad and Utilities
Commissioners to Study Principles of Rate Regulation
in the Motor Bus Industry**

**Presented to the Annual Convention
of the Association at Little Rock, Arkansas
November 10-13, 1952**

**FINAL REPORT
OF
SPECIAL NARUC COMMITTEE TO STUDY PRINCIPLES OF
RATE REGULATIONS IN THE MOTOR BUS INDUSTRY**

History

This Committee was appointed on November 1, 1950 by Harry M. Miller, then President of the National Association of Railroad and Utilities Commissioners, pursuant to a resolution adopted by the Executive Committee on September 4, 1950. The resolution directed the Committee to study the principles of rate regulation in the motor bus industry and cooperate with representatives of the American Transit Association and the National Association of Motor Bus Operators currently engaged in the study of the same subject. The Committee was made up of the following: Harold E. Poslusny, Supervisor, Motor Vehicle Section, Illinois Commerce Commission; V.M. Parshall, Examiner, New York Public Service Commission; John J. Bonebrake, Director, Rate Division, Kansas State Corporation Commission; J.G. Hunter, Assistant Director of Transportation, Chief Engineer, California Public Utilities Commission; and Ray O. Martin, Commissioner, Public Utilities Commission of Ohio, Chairman. This Committee was reappointed by President J.C. Darby and instructed to continue its work.

In compliance with the resolution your Committee met February 14, 1951, April 25, 1952 and October 10, 1952 with representatives of the American Transit Association, the National Association of Motor Bus Operators, and the National Bus Traffic Association. Meetings were held on April 25, 26, 1952 and October 9, 10, 1952 for the members of the Committee only.

Acknowledgment of Industry Cooperation

We wish at this time to acknowledge the valuable assistance of the above-mentioned organizations. The assistance, work and time of the representatives of these groups is gratefully appreciated, particularly Messrs. Harry A. Arnold, George W. Anderson, John F. Curtin, Robert H. Farrell, Jack Garrett Scott, Harold B. Hosea, Gilbert Nurick, Robert Driscoll, Eugene T. Liipfert, Jack R. Turney, Jr., and L.H. Ristow.

Final Report

An interim report was made at the convention in Charleston, South Carolina in 1951. This report merely stated the progress up to that date and recommended that the Committee be continued in order that its task might be completed. The recommendation was adopted. Subsequently President J.C. Darby reappointed all of the above-mentioned members of the Committee. We wish to state that we have finished our assigned work and submit this, our final report.

Purpose of Regulation of Utilities

Any regulatory body that properly performs its duties must have a three-fold objective. Its rules,

regulations and orders if properly thought out are made for the benefit of (1) the use for the public, (2) the supplying utility company and (3) the general over-all economic good of the State. Without these objectives there is no justification for the existence of regulation.

A. User: As for the user, the regulatory body must see that he can obtain the utility service that he requires at a reasonable rate.

B. Company: The supplying utility company in exchange for its service rendered must be permitted to collect a rate or fare which is reasonable and just. When this is done we have a company which is financially sound and ready to meet its public obligations when the need arises. Such a company can borrow money and it can sell its stock to investors with little difficulty. When the need arises for additional funds for expansion and growth, the capital problems can be met without too much difficulty. This is not true of a company with a poor earning record. If a utility company is earning reasonable profits, it will generate confidence and attract other people to it who desire to invest capital.

C. State: The third objective is the State. In performing its duties and accomplishing the first two objectives the conscientious commission hopes to see economic growth within the State. If the utility user is not getting adequate service and the company is not financially healthy, the economic growth of the community will be stunted. On the other hand, if those aims are accomplished, there is no limit to what a community may do in adding to its industrial, commercial and cultural development, and thereby increase the wealth, health and enjoyment of its citizens.

The upward trend of costs in recent years is well known and utilities are not immune to it. When rate relief is justified in meeting such trend, the relief should be granted promptly.

With that staring us in the face it is an appropriate time for all regulatory bodies to review the thinking underlying their rate making processes. Only after such critical analysis can a commission decide whether it is performing the duties placed upon it by the legislature.

Basic Principles Apply to Bus Industry

These same basic objectives must also be kept in mind when dealing with the motor bus transportation rate problem. If these cardinal principles are followed the result should be a good public transportation system which is financially strong and able to economically provide the efficient

transportation demanded by the public. Such a system will very materially help the economic growth of the community and State served.

Return on Investment Theory

Generally speaking, regulatory bodies in fixing bus rates do so on the so-called "Return on Investment" theory. Stated in another way, under this theory the rate fixed should produce net revenue which when applied to the net invested capital results in a percent figure which in the light of existing conditions is felt to be a fair return on investment.

This theory had its beginning in the early statutes regulating railroad, electric, telephone, gas and other public utilities. It will be readily seen that these types of utilities are more or less monopolistic. That being the case, it was the intent of the legislatures of those days to protect the public from exorbitant charges and prevent the confiscation of the utility company's property without due process. This theory when applied to those so-called monopolistic utilities has generally provided a satisfactory return and those companies have been able to attract capital when the demands arose. However, this is not the case of the motor bus industry. While net income on that industry's invested capital might theoretically have been on the same basis as the other utilities happened to be on, it has not attracted capital as easily and at the rates which the so-called monopolistic utilities enjoy. Due to the comparatively short life of motor vehicle equipment, which is the primary item of investment in the case of the bus industry, the depreciated rate base very often fluctuates considerably, depending upon the age of the equipment, thereby differing materially from the situation which obtains in the case of a utility where the depreciated rate base remains more or less constant.

The result is that the industry has had difficulty in financing its expansions and betterments. Being unable to attract capital has resulted in our public transportation deteriorating to some extent which if continued will certainly be reflected in our general economy. Apparently the "Return on Investment" theory in the case of the bus industry has not met the acid test from the investor's point of view. His reluctance to provide equity; or risk capital is due in part to the fact that the industry is generally made up of small companies with unsatisfactory earning histories; that annual earnings are influenced by seasonal fluctuation; that the margin between its revenues and expenses is too narrow to absorb rising costs; that the amount of invested capital is small compared to the volume of business which thereby creates a greater risk; that the industry reacts quickly to economic changes such as strikes; that the industry feels the impact of increased labor costs much more sharply than for example, an elec-

tric utility company; that the industry is subject to keen competition from railroads, airlines, taxicabs and especially the private automobile. The misgivings of the prospective investor are known to all Commissions, but if documentation is desired, your attention is directed to the testimony of Mr. Albert H. Gordon, a partner of Kidder Peabody and Company, of New York City, in Interstate Commerce Commission Docket No. MC-C-550, "Investigation of Bus Fares", contained in excerpts of the record of that proceeding marked Appendix A herein.

Risk of Capital

An article published in the February 1949 issue of Public Utilities Fortnightly written by Mr. John F. Curtin discloses some enlightening figures. These statistics show that for 117 electric companies the average gross investment to produce one dollar of annual revenue was \$3.95. For 53 gas companies the figure was \$3.72. The lowest so-called "monopolistic utility" ratio was 2.33. In contrast for 12 bus companies the average gross investment was \$.95 for each dollar of revenue. This difference is even sharper when the net plant is compared to revenue. The range ran from \$3.08 for the electric companies to \$.53 for the bus companies. For a more detailed study of these differences, refer to attached Appendix B.

Attention is invited to a more current study by the Public Utilities Commission of Ohio, Statistical Department, a copy of which is marked Appendix C. This comparison covers 1951 business in Ohio and shows still greater differences. The net ran from \$2.96 for electrics to \$.39 for buses. In other words, in 1951 Ohio's bus companies turned over their net capital approximately 2½ times while electric companies turned over only 1/3 of their capital. Stated in another way, it will take the electric companies almost 3 years to make one complete turnover. During these same 3 years based on 1951 studies, Ohio bus companies will have turned over their net capital 7½ times. When looked at from this point of view, the hazard of loss of bus capital as compared to the electric field, comes into sharp focus. An investor is further deterred from parting with his money when he compares the ratio of operating expenses to net capital of the two industries. For the buses the expenses are approximately 2¼ times the net capital, as against only ¼ for the electrics. Based on these percentages if a regulatory body attempting to fix rates so as to produce a 6% return overestimates gross revenues or underestimates expenses by 5% the electrics will still earn about 4½% of the investment. But if a similar error were made in a bus case handled on the same basis a contemplated 6% return would be transformed into a 7% loss. There can be little doubt as to which utility the investor will choose in placing his money. He has a much greater margin of safety in the electric field.

These ratios clearly show that a slight under-estimation of expenses, or over-estimation of revenues, might seriously impair the financial structure of the company.

The foregoing shows that the "Return on Investment" theory does not adequately compensate the bus industry for the risk involved if the same standard of return is applied to it as to the aforesaid utilities. If it is limited to a return of say 6% on the \$.53 or the \$.39 invested and nothing is allowed to compensate for the risk involved by its more rapid turnover of capital and other inherent risks, then the bus industry cannot compete in the money market with the "monopolistic utilities."

At this point it seems obvious that the bus industry is in an unfavorable position from a financing point of view in contrast to "monopolistic utility companies". The question is, what can be done to remedy the situation?

Operating Ratio

A comparatively new rate making theory has been proposed as a means of overcoming the deficiencies which have been attributed to the general use of "Return on Investment". It utilizes the "Operating Ratio" which may be broadly defined as the relationship between expenses and gross revenues. The resultant of this relationship should be an amount sufficient to conserve the capital of the enterprise, assure its perpetuation, and give it access to new capital if necessary.

One of the principal virtues of the use of operating ratio in fixing bus fares, as distinguished from rates of the other utilities is that it tends to minimize the effect of variation from the anticipated revenues or expenses.

Legality

At the present time the "Operating Ratio" theory is not widely used, so your committee's first question was whether it was permissible under existing State laws and statutes. In order that we might answer this query, a survey was made of the laws and practices of the 48 States and the District of Columbia. A summary of the information obtained can be found in Appendix D.

On examination, this information indicated among other things, (1) that all 48 States and the District of Columbia have jurisdiction over intra-state fares; (2) that in only one State is it required by statute that fares be based on the operating ratio theory; (3) that in New Jersey, Pennsylvania and the District of Columbia the fares are required by statute to be based on rate of return; (4) that in Maryland, Nebraska and Wisconsin the rate of return base is required by court decisions which the respective Commissions follow; and (5) that in 43 States the operating ratio theory could be used to test the revenue requirements of bus companies.

It is significant that the Federal District Courts have refused to overrule a Commission order fixing rates primarily on the "Operating Ratio" theory (*County Board of Arlington, Va., v. United States*, 101 F. Supp. 328).

As for the question of whether State regulatory commissions or city authorities have jurisdiction over fares of urban transit companies, reference is made to Appendix E which is a tabulation furnished by the American Transit Association.

What Per Cent to Apply?

One of the advantages of the Operating Ratio approach is that it lends itself peculiarly to the particular operating and traffic conditions of the individual carrier rather than uniform application of an inflexible formula, even throughout a single State. Operating conditions and expenses vary to such a degree in each State that a regulatory body adopting such a theory should set ratios in the light of its own knowledge and experience.

Of interest in this connection is the approval by the Interstate Commerce Commission of an operating ratio before normal Federal Income taxes of 85 for the inter-city bus carriers as a group (Investigation of Bus Fares, I.C.C. Docket No. MC-C-550, Proposed Report, later approved by Interstate Commerce Commission). It should be noted that this is equivalent, under the presently prevailing tax level, to a ratio of 83 before taxes, or 90 to 92 after taxes.

Uses - Benefits - Objections

In approximately 90% of the States the uses for the benefits to be derived from the application of "Operating Ratio" depend to a large extent upon the imagination and the research activities of each individual commission.

By using the "Operating Ratio" theory it is possible to set up a fare structure which will not only cover all operating costs but will also provide earnings which will allow for all the risks that are peculiarly inherent in the bus industry. Such earnings should eventually make it possible for the bus industry to attract equity capital for its additions and improvements. From these earnings management should, in good faith, set up the necessary reserves for the various operating contingencies of the business, - keeping in mind however, that the dividends or withdrawals should be sufficient to attract new capital. The ratio spread should allow sufficient earnings to cover among other things, the following considerations where appropriate: (1) withdrawals or dividends large enough to pay a return on investment and to attract top management; (2) contribution to surplus which may be used for modernization, including better mobile equipment, new or improved terminals, depots, and other accoutrements to provide convenient, safe and rapid service; (3) in-

terest charges; (4) cushion for cyclical swings in business; and (5) lag in rate relief during adjudication of rate matters.

One argument that has been presented against this theory is, that in effect a return is being allowed on expenses. In analyzing this contention it should be understood that where the term "expenses" is used, it should be construed as meaning justified and reasonable expense.

One other possible use of this theory should be noted. Use of the operating ratio facilitates rewarding a bus company for efficient management. A ceiling and floor could be set on each operating expense. This would be an incentive to an operator to effect economies so that he could take advantage of the lower cost allowance. The "ceiling and floor" would also answer the objection that the "Operating Ratio" theory is a form of cost-plus.

The use of this theory would probably very greatly speed up rate making processes. As has been said before the time lag between the filing for a rate adjustment which results in a formal case and final determination by the regulatory agency having jurisdiction may have the effect of confiscation of capital. This is true especially when the regulatory agency deems it necessary to make and price an inventory for the determination of the rate base. Under the operating ratio method it would be unnecessary for the regulatory body to go through this laborious process.

Mechanics

The mechanics for setting up an operating ratio system appear to be fairly simple. The Interstate Commerce Commission has prescribed a uniform system of accounts and an annual report form which many companies use. In the case of the intrastate carriers the State commission could adopt the same system of accounts and prescribe the same form. This would provide the necessary operating data to be employed in testing the reasonableness of the various operating expenses which constitute the numerator of the operating ratio. After some research and experimentation a regulatory body could place itself in a position to tell very quickly whether a particular bus company was healthy or financially ill.

Recommendation and Conclusions

After due consideration your committee is of the opinion:

(1) That all fare structures should contemplate maintenance of adequate and efficient service to the public;

(2) that the bus companies should keep accurate and complete detailed records in accordance with standard classification of accounts;

(3) that applications or filings for adjustments in fare structures should be supported in sufficient detail to afford the regulatory agency the data necessary to study the merits in each case;

(4) that all operating expenses should be reasonable and reflect efficient and prudent management;

(5) that in the interest of granting prompt relief that has been justified regulatory agencies should act with dispatch in passing upon changes in fare structures, and where conditions warrant an interim order should issue if permissible;

(6) that in analyzing reasonableness of proposed changes in fare structures regulatory agencies should employ tests which encompass only the necessary elements to the exclusion of all matters which are unnecessary in reaching a final determination;

(7) that the adoption of the "Operating Ratio" is not a panacea for all of the financial ills of the motor bus industry, but it does appear to be a more practical and realistic approach to the problem than obtains in the application of "Return on Investment" test;

(8) that the adoption of the "Operating Ratio" theory as a test of revenue needs would materially reduce the time-consuming processes which the regulatory body usually goes through when it establishes a rate base to be employed in the "Return on Investment" theory;

(9) that the "Operating Ratio" theory provides an equitable method of recognizing the risks and other characteristics that are peculiar to the bus industry;

(10) that the adoption and use of the "Operating Ratio" theory would better help a regulatory body to meet the three-fold objective previously discussed than the use of the "Investment" theory;

(11) that the level of the "Operating Ratio" should be determined with due regard to the conditions prevailing in each case.

In conclusion we therefore respectfully urge the adoption and use of the "Operating Ratio" theory of testing revenue needs of bus companies by all regulatory bodies wherever permissible under the law.

Respectfully submitted,

Ray O. Martin, Ohio, Chairman
John J. Bonebrake, Kansas
J.G. Hunter, California
V.M. Parshall, New York
Harold E. Poslusny, Illinois

Duplicated by: American Transit Association and National Association of Motor Bus Operators for the use of member companies

**TESTIMONY OF ALBERT H. GORDON
BEFORE THE INTERSTATE COMMERCE COMMISSION, IN THE
MATTER OF INVESTIGATION OF BUS FARES, DOCKET NO. MC-C-550**

Mr. Driscoll: I will call Mr. Gordon.

ALBERT H. GORDON

was sworn and testified as follows:

DIRECT EXAMINATION

Q. (By Mr. Driscoll) Will you state your full name, Mr. Gordon?

A. Albert H. Gordon.

Q. What is your business address?

A. 17 Wall Street, New York City.

Q. What is your business connection, Mr. Gordon?

A. I am a partner of Kidder Peabody & Company.

Q. And what is the Kidder Peabody Company?

A. Their business is one of the larger underwriters and distributors of investment securities in the country. Last year it ranked third among all the underwriting companies in the country in the amount of securities underwritten. In each of the last five years it has underwritten more securities than any other member of the New York Stock Exchange. The records indicate that the New York Stock Exchange members distribute most of the equity securities that are sold in the United States.

Q. How long have you been associated with Kidder Peabody?

A. I have been associated with Kidder Peabody since 1931.

Q. As a partner?

A. Yes, since then.

Q. And are the various fields of activity within the Kidder Peabody organization assigned to different partners?

A. Yes, they are.

Q. And what is your particular field of activity?

A. Since 1931 I have been in charge of the underwriting and distributing activities of the firm.

Q. That involves passing on all issues that they underwrite?

A. It involves, first of all, an overseeing of the investigations as to whether or not the securities are what we consider appropriate for the firm to underwrite; and secondly, an analysis as to whether or not those securities are salable at any particular time.

Q. Now, in connection with that latter, does that involve an analysis and study of the investor reaction to these various securities?

A. Yes, the investment banking business is essentially today a merchandising business, and the securities must not only be studied from the point of view of their merits, their long-run merits, but they must also be examined as to whether or not they can be sold successfully on a reasonable basis and on a basis which is attractive to the issuer. Any investment firm, underwriting firm, that makes many mistakes and is loaded up with many sticky issues quickly goes out of business, and over the period of years the mortality record of the investment business has been heavier than in other industries and has been caused by underwriters taking on securities that couldn't be sold.

Q. Miscalculating —

A. The appeal in the market. It is, to some extent, like the department store business. In the old days, Macy's could sell bathing suits with sleeves on them.

Q. Mr. Gordon, has Kidder Peabody specialized at all in the type of industry or the type of security that it has undertaken to market?

A. We have specialized in industrial issues, public utility issues and transportation issues. I might give you our record in transportation issues.

We had headed underwriting groups for securities of various railroads, including the Boston & Maine Railroad, the Lehigh and New England Railroad. We distributed the preferred stock of the Chesapeake & Ohio, which was owned by the Chesapeake Corporation. This was the first preferred stock of a railroad for some years that was successfully placed.

We have headed several syndicates offering the securities of American Airlines Company. Two years ago we headed a syndicate which distributed \$40,000,000 of American Airlines preferred stock, \$40,000,000 of American Airlines debentures.

We first became acquainted with the Greyhound System around 1936. At that time the Greyhound company was giving consideration to selling securities to the public. Our head research man made a long exhaustive analysis of the Greyhound System and, of course, that carried with it an investigation of the bus industry.

The industry was relatively new and unknown at that time. We felt that in order to go ahead we had to make an unusually exhaustive study. The company did not go ahead with the financing at that time, but since that time we have kept in close touch with the affairs of the company. In 1944 we headed the syndicate which sold \$10,000,000 of Greyhound debentures and \$5,000,000 of Greyhound preferred stock. These, I believe, were the largest pieces of financing ever consummated by an inter-urban bus company.

Later we refunded the preferred stocks of the Pacific Greyhound Company, the Northern (sic) Greyhound Company and the Atlantic Greyhound Company.

In addition to these major activities in the transportation field, we have been a participant in the underwritings headed by other concerns in many railroad issues, and one or two other airline issues.

Q. Then, briefly, give us also your coverage of the utility field.

A. We have been among the largest underwriters of utility securities in the country. During the last 6 or 8 months we have headed groups that have offered common stocks of the Public Service Company of New Hampshire, the South Carolina Electric & Gas Company, the Minnesota Power & Light Company, and the Florida Power Corporation.

In previous years we have headed the distribution of many bond issues for public utility companies. In addition to that, we have participated in practically all the common stock distributions of public utility companies, together with the distribution of public utility common stocks owned by the holding companies.

We have also participated in a great many bond issues headed by other concerns. We have offices in about 15 cities and we believe that we cover the major investment markets of the country through direct distribution. In addition to that, we have affiliations with dealers as other underwriting concerns do, scattered throughout the United States.

Q. Even into the smaller towns?

A. Yes, even into the smaller towns.

Q. Do you believe that by reason of your investigation of the bus industry in connection with your financing of Greyhound companies you have become sufficiently familiar with the characteristics of that industry to know the effect of those characteristics on the reaction of the capital market to bus industry securities?

A. Yes, I do. We have had a continuing relationship with the Greyhound company. In addition, we have, from time to time, distributed blocks of Greyhound stock owned by investors. We have distributed those stocks to other investors. We are called upon from time to time to express an opinion on the bus industry, and the Greyhound company. We feel, in order to service our clients, that we must keep up to date with the industry and with the Greyhound company. We have also distributed some securities for the Southeastern Greyhound company.

Q. Those latter distributions have not been new issues for the company itself, but holdings of individual stockholders?

A. That is right.

Q. Will you then state what the major characteristics of the bus industry are that affect its acceptance by general capital markets?

A. Well, I would outline the characteristics of the bus transportation industry, as seen by the potential investors and by the investors with which we are in contact and as seen by ourselves — I will enumerate them — first, the industry is relatively new and unseasoned. Secondly, there is intense and increasing competition in the industry which appears to be inherent to it. Three, in comparison with other industries, the industry has an inadequate history of earnings. Four, most of the bus companies are small. Five, the business on an annual basis is highly seasonal. Six, there are wide variations in operating results between the different companies. Seven, the amount of invested capital in relation to the large volume of business is small and, consequently, there are heavy risks coming from the fact that the capital is small. In addition, there is a wide variation between the bus carriers as to the amount of capital required to conduct their business. Eight, like many industries there is a need for substantial expenditures for new facilities in the near future. Nine, the profit margin in many of the operations is narrow. Ten, those narrow profit margins are now being squeezed further by rising costs. Eleven, apprehension exists over the danger of severe rate regulation by the State and Federal regulatory bodies.

Those are not ranked in the order of their importance. They are just ranked as they came into my mind.

Q. Taking those characteristics up one at a time the first one you mentioned, I believe, is the fact that the industry is relatively new and unseasoned. Compare the industry in that respect, if you will, with, let us say, the utility industry from the point of view of the investor.

A. I believe the first utility steam plant was built around 1870. Since that time there has been a consistent steady growth in the industry. In the 20s the industry over-expanded, particularly holding companies over-expanded and in the resulting deflation of the 1930s the utilities had a very severe test.

During the 1930s in the depression, it became obvious that in a depression the utility operating revenues did not go off as much as in other in-

dustries. The profits of the industry were sufficient to retire some of the debt and to put the capitalization of the industry in very good shape. As a consequence of the experience of the 1930s the investor has come to consider the utility securities, particularly the utility bond, the most prime corporate investment in the United States, together with a handful of industrial securities. In other words, the utilities have had a long background and have successfully come through financially a very serious and prolonged depression.

Now, as contrasted with that, the bus industry did not achieve any notable prominence until the 1930s. It wasn't until late in the 30s that the bus companies, from the investor's point of view, achieved any notable success.

By the end of the 30s the inflationary forces of the War had begun to take effect and in 7 of the 10 years these inflationary forces and the war forces have had a great effect.

The investor considers the war years abnormally favorable. He does not place much stress on them. He wants to go back to the pre-war years to find out how the industry did. In the bus industry there are very few figures for the investors before 1938. Even during the war years the record of the bus industry is not good enough to give it the highest rating. The investor still has grave doubts as to how the bus industry will be able to meet its greatly increased expenses with a normal traffic volume. It is felt that until more automobiles are on the road and until more buses are on the road no one can know what the normal pattern of traffic is going to be. The obsolescence factor in the bus industry is far greater than in the public utility industry.

Q. I believe you mentioned, secondly, the intense and increasing competition with which the bus industry is faced.

Will you comment further on, that as it affects the prospective investor?

A. I am sure that it doesn't need any elaboration by me to point out the competition in the bus industry itself and the competition from the private automobile, the railroads, and the airplanes.

Of course, it is recognized that American industry has reached its present stage through competition, but the investor has been hurt by the transportation industry and he places perhaps more stress on the adverse factors arising out of competition in the transportation industry than he does in other industries.

Tremendous amounts of money have been lost in the railroad securities. That is common knowledge to the investor. In the air lines recently large sums of money have at least temporarily been lost to the investor in the air lines business, and much of the present unsatisfactory status of the air line industry is attributed to the great amount of competition put into the industry by the granting of competitive routes by the CAB.

The CAB, probably, like the industry, assumed that the traffic was going to continue to grow. As a result, CAB thought competition was a good thing. Today, undoubtedly, there are many losses being incurred by unnecessary competition, some of which it is felt is not in the public interest.

Q. Is it a fact that the history of the transportation industry is one of repeated eliminations of forms of transportation due to new forms coming in?

A. The factor of obsolescence has been very important in that regard, unlike the obsolescence in

the utility business. The investor has seen the street car practically come and go. He has seen the interurban street car operation become pretty nearly extinct. He has seen the railroad passenger business lose to some degree, at least, first to the buses, and then later some of it to the air lines. Over the years he has seen much of the business lost to the private automobile. In the freight division of the business he has seen some of the business go to the trucks, and back many years ago the investor saw the business go from the steamships pretty much to the railroads as far as servicing the company was concerned, so the factor of competition and the rapid obsolescence is very much on his mind.

Q. Now, I believe it is a matter of general knowledge, Mr. Gordon, that bus transportation is the cheapest form of passenger transportation available today in the country, and that the industry regards itself to a high degree as the poor man's form of transportation. Does that consideration have any effect on the availability of the capital markets and the attitude of the man who controls investments toward the bus industry?

A. Surprisingly enough it has a good deal of weight. In our own endeavors to educate the investor on Greyhound securities we quickly learned that very few of the people to whom we talked travelled consistently on buses. In fact, we found many of them who had never been on an interurban bus. They felt that it was a haphazard sort of transportation. They didn't understand the great function that it was performing. It even went down as far as getting a rating on the Greyhound bonds. We spent hours with Moody's Investment Service to get a bank rating on the bonds.

As you know, a bond has to have a BAA rating from 2 out of 3 rating agencies to be available for purchase. Moody's is the test that is chiefly regarded by the banks. We had a great deal of trouble with the Moody people. They didn't know anything very much about buses. They felt they knew a great deal about railroads and, whereas, they were willing to rate railroad bonds A and AA in some cases, we had great difficulty in getting them up to a BAA rating. It was surprising to me how few of these people had ever been on a bus, that is, an interurban bus. As a result, it was very difficult for them to recognize the intrinsic merits and the soundness of the industry.

Q. You commented next on the small size of the average bus company. Do you have before you a copy of Mr. McWilliams' Exhibit No. 937?

A. Yes, I do.

Q. I call your attention to the fact that of the 260 carriers covered by the studies summarized on Schedule 1 of that exhibit, only 119 of them have gross annual revenues in 1947 of over \$500,000, and 69 of them have gross annual revenues for that year of less than \$200,000. Does that situation have any appreciable bearing on the availability to the bus industry of the general capital markets of the country?

A. Yes, from two points of view. From the first, for the most part the companies are so small and/or so closely owned that the investors have not had much opportunity to become familiar with the industry. That means, that a great deal of education work has to be done to sell the securities of the leading companies. Now, secondly most of the companies are so small that it is difficult to finance them on a long term basis. The investor knows the

mortality of smaller enterprises, not only perhaps of the buses but of the small enterprises in general, therefore, he is loathe to put his money into such enterprises until they have grown further. The small enterprise is so dependent on management that if anything happens to the management it is difficult to replace it. It is difficult to attract good management to small enterprises. The size of many of the companies is such that any adversity could easily put them out of business.

From the investment banker's point of view, whose function it is to get long term funds, he is reluctant to go into small enterprises because of the responsibility that falls upon him if anything adverse develops. In addition to that, as is well known, the cost of financing small enterprises is relatively much heavier than for large enterprises.

Q. That covers generally that aspect of the situation?

A. That is right.

Q. Now, you also mentioned, as one of the characteristics of the bus industry affecting the marketability of its securities, the seasonal character of the business. Do you have before you a copy of the Commission's Exhibit No. 914?

A. I do.

Q. I call your attention to Table 3 of that Exhibit and, particularly, the analysis of that operating revenue in that Table and ask you to comment on the seasonal characteristics which are disclosed by that Table and the variation in those seasonal characteristics between pre-war, war years and 1947 as it applies to the general acceptance of bus securities by the public.

A. Obviously, the net operating revenues are examined very carefully by any potential investor. In examining the figures for the bus industry as this Table discloses, in 1939 approximately 53 per cent of the year's net operating revenues came in the third-quarter.

During the war years the seasonal factor for obvious reasons was much less than it had been. As a result, the investor does not consider the experience of the war years really relevant to his investigation. In 1947, net operating revenues, as disclosed by Table number 3, amounted to approximately 48 per cent of the operating revenues for the year.

Q. You mean the 48 per cent is in the third quarter?

A. Yes, third quarter.

Now the investor views askance, to some extent, at least, business with as high variation as the bus business has. He does so because he knows that the industry has to have extra equipment and facilities to take care of its peak demand. Some of the equipment is presumably not used during the rest of the year. More importantly the investor recognizes that his position and the security is really dependent on results in one quarter, not in the whole year. He recognizes that any adverse conditions developing in that quarter would have a very serious effect on his position. He knows that very adverse weather, for instance, if the bus line is regional, may affect him adversely. He knows that strikes at that time could have very serious effects and that any catastrophe could have a serious effect.

Also, if a business recession happened to be particularly heavy during that period he would suffer more than if he were invested in an industry without such a heavy seasonal factor. He does

not like to be put in a position whereby the profits for a year might be wiped out by adverse developments on the operating revenues during one whole quarter.

Also, there is one other factor — this is not very important — the Stock Exchange is insisting more and more on quarterly earnings being disclosed to the public. The fact that a company will report very little earnings for perhaps the first and second quarters have an effect on his mind in determining the attractiveness of the securities. For example, in the Greyhound System for the first quarter of this year, I believe, reported earnings of 9 cents a share as contrasted with 8 cents a share — as contrasted with 12 cents a share in the preceding year. In certain instances the publicity would state that the earnings were off 33 per cent. The investor, accordingly, would take off 33 per cent from last year's earnings and would presume that is perhaps what the company would earn for the full year, and that is disturbing.

Q. Now, I assume that you are familiar, Mr. Gordon, with what appears from a number of the exhibits in evidence here that there has been since the War a constant falling off in load factors for the industry which has yet shown no signs of levelling off. I will ask you whether or not, from the investor's point of view, until that levels off there is any fear of a further progression of this seasonal factor beyond what is shown in Exhibit 914 for 1947?

A. There is fear of that until the traffic becomes more nearly normal, until a decline in the load factors stabilizes, the investor does not know how far that decline will go and how much that will affect the seasonal characteristics of the investor. The investor makes most of his judgment on what has happened in the past, and until the industry has gone through a complete cycle it is difficult for him to judge what is going to happen in the future, and as I said, he therefore bases his judgment on what has happened before.

Q. He realizes, I assume, that a full return to pre-war load factors with the present day expenses would spell disaster?

A. Yes, he recognizes that if the load factors of the past were put against the operating expenses of today that all of the companies, I believe, would be operating in the red.

Q. Now, to the degree that that seasonal character of the business is exaggerated, what you say would have more and more influence on the investor, is that correct?

A. That is correct.

Q. I call your attention to the Table in Exhibit 914 and the fact that in the New England region, in the third quarter of 1947, nearly 150 per cent of the earnings for the year were third quarter earnings, meaning that there were deficits as indicated in the first and fourth quarters and that, of course, would carry the fear of that situation to the extreme?

A. It would very much and, to some extent, the New England situation in general is used as an example of what happens in what might be considered a fully matured economy and that the New England territory is much more nearly saturated with population, with growth, than the rest of the country.

Q. Referring again to Exhibit 937, and calling your attention particularly to the summarized data with respect to operating ratios in Schedule 1 in the left-hand column Lines 8 and 14, it appears

from Mr. McWilliams' testimony that those average turnover ratios are made up of individual companies with very wide variations. How generally do those averages of turnover compare with the utility industry?

A. Well, the turnover in the bus industry is very much greater than the utility industry. I have prepared some figures on certain electric utility companies which indicates that for each dollar of taxable utility plant there is only from 15 to 20 cents of operating revenues annually.

Q. So that the normal utility company turns over its plant once every five years, let us say?

A. That is right.

Q. Where the average bus company turns it over more than once a year and more nearly twice?

A. More nearly twice, that is right.

Mr. Turney, Sr.: Those figures of the tangible plant are before or after the deduction of depreciation reserve?

The Witness: I would have to check the figures to ascertain that. Of course, in most utilities the depreciation reserve — in many of them is about 20 per cent of the gross plant, and, therefore, that even if this were before depreciation it, would not have much effect. The figures are probably gross but even after depreciation there would not be any great variation.

I have a group of companies here, and if it would serve any purpose to give any of these figures —

Mr. Driscoll: Not unless the Examiner is interested in the basis of your testimony.

The Witness: It is determined on basing it on 25 representative companies.

Q. (By Mr. Driscoll) Now, what effect does that situation have with respect to the relative margin of safety between the bus industry and the utility industry.

A. Of course, the figures during the War were abnormally favorable to the bus industry, and it is probable that the facilities of the bus company are now being utilized more fully and more intensively than they may be used in the next several years, and certainly, they are being used more intensively than before the war.

In spite of these relatively favorable conditions, 101 of the 260 Class I carriers had operating ratios in excess of 95 per cent in 1947 before taxes, and 124 of them had operating ratios in excess of 95 per cent after income taxes as shown in Exhibit 937. Coupled with this narrowing of profit margin is the fact that the industry has expanded the amount of service it has been giving without being able to perhaps increase its facilities correspondingly.

There is, therefore, a need for additional facilities throughout the industry which must be financed either from outside investment or from reinvestment earnings. It seems doubtful to us even if the existent profit margin is retained that there will be sufficient money obtained from reinvested earnings to take care of the additional facilities that are necessary.

The studies indicate that the bus industry has not been what you call a heavy dividend payer. Exhibit 937, as it relates to proprietorships, withdrawals and dividends, discloses that only 46 per cent of the 260 Class I carriers paid some form of dividend or withdrawal in 1947. It is significant that only 40 per cent of the owners in smaller revenue groups and only 50 per cent in the middle

revenue group received dividends and withdrawals. In the large revenue group 88 per cent of the owners received some form of dividend, or withdrawal, reflecting distribution by a small number of the larger and more profitable companies whose stock is privately owned.

Your attention is particularly called to the fact that the Class I carriers as a group distributed only 5.1 per cent of their operating revenues to the owners, despite the fact that the weighted average operating ratio for the same group of carriers was 86.3 before taxes. Now, in the electrical utility industry the operating ratio for 1947, according to some figures of the Edison Electric Illuminating Association, amounted to 77.6, notwithstanding the fact that public utility industries are inherently far more stable than the bus industry.

As is well known, the customers of electric utility companies have a large investment in essential appliances, and during bad times are very unlikely to discontinue the use of them. The bus industry has no such hold upon its customers, actually, in order to provide a comfortable margin of safety against a general business decline, and in a business decline the bus industry should show a lower operating ratio than the electrical utility industry.

Q. You say that in spite of the fact that a corresponding operating ratio in the bus industry to that experienced in the utility industry would necessarily result in a substantially higher earning ratio in relation to investment than it does in the utility industry?

A. That is right, but the industry needs that protection in order to finance itself, which is necessary in most cases, and also to protect itself against a decline in business. If the operating ratio were lower it might easily lead to disastrous results when the load factor is down decidedly in a business recession or perhaps even when business reverts to a more normal pattern, at least the pattern we knew before the War.

Q. Those figures would indicate that a variation in the load factor for the utility industry would not have anything like the effect on the rate of return on investment that a similar variation would have on the rate of return on a ratio of the bus companies.

A. That is apparently the figures, a 5 per cent decline in utility figures, where it could easily be in the bus company in many cases.

Q. You have mentioned the existence of an apprehension on the part of investors of restrictive rate regulation by Federal and State authorities. Would you care to enlarge on that?

A. Well, based on your distribution of the Greyhound securities, we know that the factor or the analysis of regulation of rates is one of the most important considerations in the mind of the investor. He has seen the impact of such regulation on other industries and he is fearful that any unwise or restrictive regulation of rates would have a very adverse effect on the securities he might own. The investor recognizes that there may be a tendency to regulate bus rates in terms of a flat basic scheme, somewhat in the order of the passenger rates on the air lines. It is felt by the investor that the passenger rates have been subsidized by the freight business.

Q. You mean the rail?

A. That is right, and the investor knows that there

has never been a flat per ton mile rate on freight. The investor is also fearful that the Commission might embark upon a rate regulating policy, patterned after the traditional theories applied to the electrical utility industry. Investment analysts have been quick to realize that a traditional return on investment policy regulation would place the bus industry in a very unsound operating basis because the characteristics of the industry are so different from the electrical industries.

Q. In saying that are you referring to what we discussed a moment ago, the great contrast in the relation to an investment and gross?

A. Yes; now in a utility industry, for example, let us assume that we had a utility with \$100,000,000 of plant account. Obviously, if you were permitted 6½ per cent on that it would return, after taxes, \$6,500,000. If we assume that the turnover is 25 per cent it would mean that that utility would have \$25,000,000 of operating revenues. \$6,500,000 earned on \$25,000,000 would be about 22 per cent rate of return on the operating revenues.

Q. Or put it around the other way, 78 per cent operating ratio after taxes?

A. Yes, after taxes; whereas, as the figures have shown in the exhibits many of the bus companies are not earning 5 per cent on their gross operating revenues after taxes.

Q. Now, does —

A. I might say as far as the utility industry is concerned, there is some fear that utilities have been overregulated from the point of view of rates insofar as the utility user is concerned. There is tremendous need for additional electric facilities. The Edison Illuminating Institute estimates that approximately \$300,000,000 will have to be raised annually for each of the next four years through the sale of preferred and common stocks. There is a big burden on the investment market. In many cases, the utility commissions have not permitted the earnings of the utility to expand and, as a result, the utility common stocks, as opposed to the utility bonds, are not considered a particularly desirable investment, in spite of the stable nature of the business. The taxes, income taxes, are so high that many common stock investors place much more stress on capital gains possibilities than they do — with a tax of 25 per cent — than they do on a stable income. It is felt that over a long period there can probably be capital gains only if the net available for the preferred and common stocks can increase. Many of the utility investors today look completely askance at the original cost theories. In a period of inflation it really doesn't make very much sense to base the rate on what a plant cost 20 or 30 years or even 10 years ago when it can be duplicated only at twice the cost.

In the natural gas industry it has been possible to attract a good deal of capital because very few of the gas companies have plant accounts that go back so many years that they have gotten them at a low cost. There were grave doubts in the minds of many of the utility common stockholders that rates today permit a return sufficient to finance sufficiently from within. I think proof of this or a case of this is shown by the fact that at present — for many years — that the utility companies have had to finance their expansion to such a large extent from outside financing.

Q. Well, what you have said with respect to the

relationship between investment and gross revenues with respect to the bus industry, does that have a tendency to exaggerate any errors that might be made in the forecasting of revenues or expenses for the purpose of fixing rates?

A. You mean the operating percentage available to the securities holders, to the owners of the business, is so small that an error of even over 2 or 3 per cent would have a very serious effect when it would not have anywhere near the effect in the electric industry?

Q. *I think we have commented, Mr. Gordon, on all or at least most of the characteristics of the bus industry which affect the availability of the general capital markets to that industry. I would like to have you, if you know, summarize your conclusions with respect to the bearing of your testimony on this present proceeding.*

A. As a result of these characteristics there has been a very distinct handicap to the industry to attract outside capital. It has been virtually impossible, except in the larger companies, to obtain long-term senior financing.

Q. Or even public equity financing?

A. Senior financing is usually easier than the equity financing. In this case, the senior financing has been exceedingly difficult except for very few companies, and impossible for most of them. And that applies also to the equity financing, although today it would be easier to sell Greyhound, for example, common stock, than to sell Greyhound preferred stock.

Q. *That is because of immediate market conditions?*

A. Yes, immediate market conditions. I think all of this points up to the fact that it is essential to keep the industry healthy and self supporting so that it can finance itself from within. And, of course, it is recognized that the buses afford the cheapest form of transportation that this country has.

Now, of course, the smaller companies in the bus industry are in a far worse position than the bigger companies to obtain money, not only because they are small but because in general their record is not as good as the larger companies. It will probably be sometime before outside money is freely available to the industry as a result of the characteristics of the business, as I have brought forth.

Mr. Driscoll: *I think that is all.*

Exam. Corcoran: *Are there any further questions?*

Mr. Gordon, you stated that the cost of financing for small companies, or smaller companies, is relatively heavier than larger companies. Could you give some indication of the difference?

The Witness: I can't. I can only speak in general terms. For example, the legal services in preparing the material for distribution, the amount of time spent in preparing the legal work, may be as great for a small issues as for a large issue. In addition to that, for small issues it is difficult to attract the large investor. The issues have to be sold to individuals. To reach that individual the salesman must be paid a much higher commission than he would be paid if he sold the securities to investment trusts or other institutions.

Mr. Driscoll: *In larger blocks?*

The Witness: Yes, larger blocks. Some of the expenses are constant and if they are divided into a bigger issue per share or per bond the expense is obviously less than it is on a smaller issue.

The investigation, for example, on your original

study of the Greyhound Corporation — well, we had our head research man spend two or three months doing nothing but study the situation. He was a high-priced man. If the issue under contemplation had been a small one we could not have afforded to have made that investigation, and, therefore, would not have been interested in it.

Q. *(By Mr. Driscoll) Do you know whether or not it is a fact, Mr. Gordon, that the SEC have made studies on that?*

A. Yes, they have made some large and elaborate studies which, I am sure, we can supply if you desire them, showing the increase in cost with the decrease in the size of the issue.

Q. *But, generally speaking, you know their conclusions are in accord with your general statement?*

A. Yes, in accord with my statements.

Exam. Corcoran: *Would you say that the turnover of the electric companies on the list to which you have referred is relatively low?*

The Witness: With other utilities, other electrical companies?

Exam. Corcoran: Yes.

The Witness: As I recall —

Exam. Corcoran: *As I recall, you said 15.*

The Witness: As I recall, I said 15 to 20 per cent. I can read the names of some of these companies.

Exam. Corcoran: *My question was whether do you think it is low for utilities?*

The Witness: No, I think it is a representative list of utility companies.

Exam. Corcoran: *That would indicate in order to secure financing the utilities must have a showing that approximately 25 to 35 per cent of the revenue turns out to be profits?*

The Witness: I would say from 20 to 30 per cent.

Exam. Corcoran: *Your testimony generally with respect to bus companies is directed primarily to intercity bus lines?*

The Witness: Yes, sir.

Exam. Corcoran: *Are your views different with respect to city transit, so-called mass transportation lines?*

The Witness: We have not made any intensive study of city transportation. The street car results were so adverse that many of the investors are not interested in city transportation. The results of a city transportation, I believe, in the last few years, indicate that they do not have the stability that the bus companies do, based on a cursory study of the city transportation we have not been active in that field. I might cite for an example, the Dallas Street Railway Company sold some bonds to the public which we purchased and resold. It was the first issue. I believe, of a city transportation system sold after the end of the War. Subsequently, the holding company which owned the Dallas System sold the common stock to the public. We studied the situation very carefully. Our bid was the lowest bid of five or six, although we felt that we knew more about the company, having handled the bonds, than anybody else. At the present time the stock is selling considerably below our bid. The results in the city transportation financing have not been very happy.

Exam. Corcoran: *You weren't unhappy that there were higher bids than yours?*

The Witness: No, sir, we were very pleased.

Exam. Corcoran: *Are there any further questions of this witness?*

You are excused, Mr. Gordon.

(Witness excused)

RATIO OF INVESTMENT TO ANNUAL REVENUE IN PUBLIC UTILITIES
1946 - 1949

(in thousands of dollars)

Year	Operating Revenue	Gross Utility Plant	Depreciation Reserve	Net Utility Plant	Gross Plant per Dollar of Revenue	Net Plant per Dollar of Revenue
All Class A and B Electric Utilities ^a						
1946	\$3,815,135	\$14,951,566	\$3,327,361	\$11,624,205	\$ 3.92	\$ 3.05
1947	4,285,837	16,029,031	3,571,634	12,457,397	3.74	2.91
1948	4,830,154	17,756,583	3,859,085	13,897,498	3.68	2.88
Manufactured Gas Industry ^b						
1946					3.60	2.80
1947					3.40	2.60
1948					2.90	2.20
1949					2.90	2.30
Natural Gas Industry ^c						
1946					3.50	2.30
1947					3.30	2.30
1948					3.10	2.30
1949					3.30	2.40
Natural Gas Transmission ^d						
1946					4.00	2.80
1947					3.90	2.90
1948					3.90	3.00
1949					4.00	3.20
Mixed Gas Operating Utilities ^d						
1946					3.50	2.70
1947					3.40	2.60
1948					3.20	2.50
1949					3.00	2.30
All Class A Telephone Companies ^e						
1946	\$2,250,971	\$6,681,967	\$2,349,391	\$4,332,576	2.97	1.92
1947	2,397,629	7,786,202	2,513,296	5,272,906	3.25	2.20
1948	2,819,283	9,106,035	2,664,208	6,441,827	3.23	2.28
Telegraph Industry ^f						
1946	198,227	456,748	221,905	234,843	2.30	1.18
1947	223,427	410,337	204,187	206,150	1.84	0.92
1948	207,286	408,551	200,881	207,670	1.97	1.00
All Class I Railways ^g (Excluding Switching & Terminal Companies)						
1946	7,627,651	21,867,237	5,495,120	16,372,117	2.87	2.15
1947	8,684,918	22,154,346	5,717,372	16,436,974	2.55	1.89
1948	9,671,722	23,130,229	5,948,628	17,181,601	2.39	1.78
1949	8,580,142	24,003,772	6,053,845	17,949,927	2.80	2.09

a. All Class A & B Electric Utilities (annual gross of \$250,000) as tabulated by the Federal Power Commission.

b. American Gas Association. Composite ratios listed were published without the basic data from which computed.

c. All privately-owned straight natural gas operating utilities. American Gas Association. Composite ratios listed were published without basic data from which computed.

d. American Gas Association. Basic data not published.

e. All Class A Telephone Carriers (annual revenues of \$100,000) from reports filed with Federal Communications Commission.

f. Large wire-telegraph and ocean-cable carriers from Federal Communications Commission Data.

g. Interstate Commerce Commission.

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**OHIO UTILITY TABULATIONS
IN COMPARISON WITH BUS SUMMARIES
1951 BUSINESS**

	Passenger Busses	Electric Companies	Gas Companies	Mixed Companies
Operating plant	\$77,318,143	\$1,070,740,812	\$334,245,191	\$355,887,312
Less depreciation	38,633,784	190,698,743	88,987,030	72,033,592
	\$38,684,359	\$ 879,042,069	\$245,265,161	\$283,853,720
Operating revenue	98,487,318	297,215,677	173,050,630	118,223,572
Operating revenue – ratio to net plant	2.54	.34	.71	.42
Operating expense	86,814,574	200,481,965	133,432,582	83,073,043
Operating expense – ratio to net plant	2.24	.23	.54	.29
Operating ratio before federal income taxes	88.1%	67.5%	77.1%	70.3%
Gross plant for \$1.00 operating revenue79	3.60	1.93	3.01
Net plant for \$1.00 operating revenue39	2.96	1.42	2.40

Passenger Busses includes data for all *intercity* bus lines, omitting only data under certificate held by large city transit companies because a satisfactory allocation of property and expenses is not reported by such companies.

The Electric Companies are the large utilities and the larger of the smaller companies.

The Gas Companies are the large companies and the medium sized companies.

The Mixed Companies are The Cincinnati Gas and Electric Company and the Dayton Power and Light Company. The annual reports to the Commission by these two companies do not show certain items which are necessary to a separation of operating expenses between gas and electric operation.

The Public Utilities Commission of Ohio
Statistical Department
October 8, 1952

**SUMMARY OF STATE LAWS AND PRACTICES CONCERNING
REGULATION OF INTRASTATE BUS FARES**

1. Name of State	Ala.	Ariz.	Ark.	Calif.	Colo.	Conn.	Del.	Fla.	Ga.	Idaho	Ill.	Ind.	Iowa	Kans.	Ky.	La.	Maine
Name or Regulatory Body - See Exhibit A for full name and address	PSC	OC	PSC	PUC	PUC	PUC	PSC	RR & PU Comm.	PSC	PUC	Comm. Comm.	PSC	PSC	Corp. Comm.	Dept. Motor Trans	PSC	PUC
2. (a) Statutory Authority over Intrastate Fares	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
(b) (i) Fix precise fares?	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	X
(ii) Maximum or Minimum?	Both	Both	Both	Both	Both	Max.	Both	Both	Both	?	?	X	Both	Both	X	Both	Both
(iii) Suspend?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Note 5	Yes	Yes	Yes	Yes	No	Yes	No	Yes
(iv) Hear and determine without suspension?	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1	Note 5	?	Note 1	Note 1	Note 1	Yes	Note 1	Yes	Note 1
3. (a) Fares required to be based on Rate of Return	No	No	No	No	No	No	No	No	No	No	Note 8	No	No	No	No	Note 9	No
(b) (i) Rate fixed by statute?	No	No	No	No	No	No	No	No	No	X	No	No	No	No	No	No	No
(ii) Reasonable?	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2	X	Note 2	Note 2	Yes	X	X	Note 2	Note 2	Yes	Note 10
4. Fares Based on Operating Ratios																	
(a) Required?	No	No	No	No	No	No	No	No	No	No	No	No	Yes	No	No	No	No
(b) Permitted?	Note 2	Note 2	Note 2	Note 2	?	Note 2	Note 2	Yes	Note 2	Yes	Note 8	Yes	Yes	Note 2	Yes	Yes	Note 10
(c) Ratio fixed by statute?	No	No	No	No	No	No	No	No	No	No	No	No	Yes	No	No	No	No
(d) Within statutory limits?	No	No	No	No	No	No	No	No	No	No	No	No	X	No	No	No	No
(e) Reasonable?	Note 2	Note 2	Note 2	Note 2	X	Note 2	Note 2	Yes	Note 2	Yes	Note 8	Yes	X	Note 2	Note 2	?	Note 10
5. Uniform Passenger-mile Fares	No	No	Yes	Yes	No	No	No	Yes	No	No	No	No	Yes	No	No	No	No
(a) By statute?	X	X	Yes	Note 7	X	X	X	Yes	X	X	X	X	Yes	X	X	X	X
(b) By rule?	X	X	Yes	Note 7	X	X	X	No	X	X	X	X	No	X	X	X	X
6. Interim Fares	Yes	Yes	Yes	Yes	X	Yes	Yes	No	No	Note 5	Yes	No	Yes	Yes	Note 6	No	Note 5
(a) By statute?	Yes	Yes	Yes	No	X	No	No	No	No	No	Yes	No	Yes	No	No	No	X
(b) Without statute?	X	X	X	Yes	X	Yes	Yes	No	No	Yes	X	No	X	Yes	Yes	No	X
(c) With hearing?	Note 3	Note 3	Note 3	Note 3	X	Note 3	Note 3	X	X	Yes	No	No	Yes	Yes	No	No	X
7. Interim Fares Prohibited?	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
8. Governing Cases: See Exhibit B for governing court and Commission cases.																	
9. (a) Do foregoing answers apply to local carriers?	No	No	Yes	No	No	Yes	Yes	No	No	No	Yes	No	No	No	Yes	No	Yes
(b) For existing situation as to regulation of fares of local carriers in States in which foregoing answers do not apply, see Exhibit C.																	

**SUMMARY OF STATE LAWS AND PRACTICES CONCERNING
REGULATION ON INTRASTATE BUS FARES (Continued)**

1. Name of State	Md.	Mass.	Mich.	Minn.	Miss.	Mo.	Mont.	Nebr.	Nev.	N.H.	N.J.	N.Mex.	N.Y.	N.C.	N.D.	Ohio
Name or Regulatory Body - See Exhibit A for full name and address	PUC	Dept. PU	PSC	RR & W Comm.	PSC	PSC	Bd. of RR Comm.	Ry. Comm.	PSC	PSC	Bd. of PU Comrs.	Corp. Comm.	PSC	UC	PSC	PUC
2. (a) Statutory Authority over Intrastate Fares	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
(b) (i) Fix precise fares?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
(ii) Maximum or Minimum?	Both	Min.	Both	Both	No	No	Both	X	Both	Both	X	Both	Max.	Max.	Both	Max.
(iii) Suspend?	Yes	Yes	Yes	Yes	Yes	Yes	X	X	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
(iv) Hear and determine without suspension?	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1	X	X	Note 1	Note 1	Note 1	Note 1	Note 1	X	Note 1	Note 1
3. (a) Fares required to be based on Rate of Return	Note 11	No	No	No	No	No	No	Note 11	No	No	Yes	No	Note 4	No	Note 8	No
(b) (i) Rate fixed by statute?	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
(ii) Reasonable?	Yes	Yes	X	X	Note 2	Note 2	Note 2	Yes	Note 2	Note 2	Yes	Note 4	Yes	Note 2	Yes	Yes
4. Fares Based on Operating Ratios																
(a) Required?	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
(b) Permitted?	Note 11	Yes	Yes	Yes	Note 2	Note 2	Note 2	Note 11	Note 2	Note 2	No	Note 4	Note 4	Note 2	Note 8	Yes
(c) Ratio fixed by statute?	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
(d) Within statutory limits?	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
(e) Reasonable?	Note 11	Yes	Yes	Yes	Note 2	Note 2	Note 2	?	Note 2	Note 2	No	Note 4	Note 4	Note 2	Note 8	Yes
5. Uniform Passenger-mile Fares	No	No	No	No	No	No	No	No	No	No	No	No	No	Note 7	No	No
(a) By statute?	X	X	X	X	X	X	X	X	X	X	X	X	X	No	X	X
(b) By rule?	X	X	X	X	X	X	X	X	X	X	X	X	X	Yes	X	X
6. Interim Fares	Yes	Yes	Yes	Note 12	Note 5	Note 5	No	Yes	Yes	Yes	Yes	Yes	Yes	Note 6	No	Yes
(a) By statute?	Yes	Yes	No	Yes	X	X	No	Yes	No	Yes	Yes	No	Yes	X	X	No
(b) Without statute?	X	X	Yes	X	X	X	No	X	Yes	X	X	Yes	X	X	Yes	Yes
(c) With hearing?	Yes	Note 3	Yes	No	X	X	X	No	No	Note 3	Yes	Note 3	Note 3	X	X	Note 3
7. Interim Fares Prohibited?	No	No	No	Note 12	No	No	No	No	No	No	No	No	No	No	No	No
8. Governing Cases: See Exhibit B for governing court and Commission cases.																
9. (a) Do foregoing answers apply to local carriers?	Yes	Yes	No	Yes	No	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	No
(b) For existing situation as to regulation of fares of local carriers in States in which foregoing answers do not apply, see Exhibit C.																

**SUMMARY OF STATE LAWS AND PRACTICES CONCERNING
REGULATION OF INTRASTATE BUS FARES (Continued)**

1. Name of State	Okla.	Ore.	Pa.	R.I.	S.C.	S.D.	Tenn.	Texas	Utah	Vt.	Va.	Wash.	W.Va.	Wis.	Wyo.	D.C.
Name or Regulatory Body - See Exhibit A for full name and address . . .	Corp. Comm.	PUC	PUC	PU Admin.	PSC	PUC	RR & PU Comm.	RR Comm.	PSC	PSC	State Corp. Comm.	PSC	PSC	PSC	PSC	PUC
2. (a) Statutory Authority over Intra-state Fares	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
(b) (i) Fix precise fares?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Note 17	Yes	Yes	Yes	Yes	Yes	Yes
(ii) Maximum or Minimum? . . .	Both	Both	X	Yes	Both	Max.	Both	Yes	Both	No	No	X	No	Both	X	X
(iii) Suspend?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	X	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
(iv) Hear and determine without suspension?	Note 1	Note 1	Yes	X	Note 1	Note 1	Note 1	Yes	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1	Yes
3. (a) Fares required to be Based on Rate of Return	No	No	Yes	No	No	No	No	No	No	No	No	No	Note 8	Note 11	No	Yes
(b) (i) Rate fixed by statute?	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
(ii) Reasonable?	Note 2	Note 2	Yes	Note 14	Note 15	Note 2	Note 16	Note 2	Note 2	Note 11	Note 2	X	Yes	Yes	Note 2	Yes
4. Fares Based on Operating Ratios																
(a) Required?	No	No	No	No	No	No	No	Note 2	No	No	No	No	No	No	No	No
(b) Permitted?	Note 2	Note 2	No	Note 14	Note 15	Note 2	Note 16	No	Note 2	Note 11	Note 2	Yes	Note 8	Note 11	Note 2	No
(c) Ratio fixed by statute?	No	No	X	No	No	No	No	No	No	No	No	No	No	No	No	X
(d) Within statutory limits?	No	No	X	No	No	No	No	No	No	No	No	No	No	No	No	X
(e) Reasonable?	Note 2	Note 2	X	Note 14	Note 15	Note 2	Note 16	Note 2	Note 2	Note 11	Note 2	Yes	Note 8	Note 11	Note 2	X
5. Uniform Passenger-mile Fares	No	Note 7	No	No	No	No	No	No	No	No	No	No	No	Yes	No	No
(a) By statute?	X	No	X	X	X	X	X	X	X	X	X	X	X	No	X	X
(b) By rule?	X	Yes	X	X	X	X	X	X	X	X	X	X	X	Yes	X	X
6. Interim Fares	Note 5	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes	No	No	Yes	Yes	Yes	No
(a) By statute?	X	No	Yes	Yes	No	Yes	X	No	No	Yes	X	X	No	No	Yes	X
(b) Without statute?	X	Yes	X	No	Yes	X	X	Yes	Yes	X	X	X	Yes	Yes	X	Yes
(c) With hearing?	X	Note 3	Yes	Yes	X	X	X	X	Note 3	Yes	X	X	No	Yes	X	X
7. Interim Fares Prohibited?	Note 13	No	No	No	No	Yes	No	No	No	No	No	Note 6	No	No	No	Yes
8. Governing Cases: See Exhibit B for governing court and Commission cases.																
9. (a) Do foregoing answers apply to local carriers?	No	No	Yes	Yes	Yes	No	No	No	Yes	Yes	No	Yes	Yes	Yes	No	Yes
(b) For existing situation as to regulation of fares of local carriers in States in which foregoing answers do not apply, see Exhibit C.																

**SUMMARY OF STATE LAWS AND PRACTICES CONCERNING
REGULATION OF INTRASTATE BUS FARES (Continued)**

NOTES

1. Commission may hear and determine without suspension, but may also suspend prior to hearing.
2. Fares are required to be just and reasonable, but no fixed formula is prescribed for arriving at what is reasonable fare. Both return on investment and operating ratio may be considered.
3. With or without a hearing.
4. Reasonableness of rates is always surveyed upon the reasonable return on investment but this is not the sole factor which may be considered.
5. There is no specific statutory authority or case precedent, but power is believed to exist.
6. Same result as approval of interim fares can be reached in emergency by failure to suspend proposed increase.
7. Statutes do not require uniform passenger-mile fares but in practice maximum rates per passenger mile are established and fares computed on that scale.
8. Although no statutory provision requires it, in practice the Commission lays emphasis on rate of return on investment and has never given consideration to operating ratios.
9. Theoretically yes, actually no..
10. Only statutory standard is that fares must meet minimum constitutional requirements.
11. Use of rate of return method not specifically required by statute but is by court decisions which Commission follows. Operating ratios possibly may be taken into consideration.
12. In cases of emergency only. Otherwise they are prohibited.
13. Question now being litigated before Oklahoma Supreme Court.
14. The Rhode Island rate-making standard is that fare increases are "necessary in order to obtain a reasonable compensation for the service rendered." Presumably both rate of return and operating ratio may be considered.
15. Most applications for fare increases are approved subject to complaint. The South Carolina Commission has never announced or published a formula.
16. The only standard in Tennessee is that fares be "reasonable." No formula has ever been announced.
17. Only if fare schedule filed and used is found unreasonable or discriminatory.

*Names and Addresses of State Regulatory Bodies Having
Jurisdiction over Fares of Motor Carriers of Passengers*

<p align="center">Alabama</p> <p>Alabama Public Service Commission Montgomery, Alabama</p> <p align="center">Arizona</p> <p>Arizona Corporation Commission Phoenix, Arizona</p> <p align="center">Arkansas</p> <p>Arkansas Public Service Commission Little Rock, Arkansas</p> <p align="center">California</p> <p>Public Utilities Commission of the State of California State Building, Civic Center, San Francisco 2, California</p> <p align="center">Colorado</p> <p>Public Utilities Commission of the State of Colorado 318 State Office Building Denver 2, Colorado</p> <p align="center">Connecticut</p> <p>Public Utilities Commission Hartford, Connecticut</p> <p align="center">Delaware</p> <p>Public Service Commission of Delaware Dover, Delaware</p> <p align="center">Florida</p> <p>Florida Railroad and Public Utilities Com- mission Old Supreme Court Building Tallahassee, Florida</p> <p align="center">Georgia</p> <p>Georgia Public Service Commission 30 Capital Square, S.W. Atlanta, Georgia</p> <p align="center">Idaho</p> <p>Idaho Public Utilities Commission State House Boise, Idaho</p> <p align="center">Illinois</p> <p>Illinois Commerce Commission Springfield, Illinois or 160 North LaSalle Street, Chicago, Illinois</p> <p align="center">Indiana</p> <p>Public Service Commission of Indiana 401 State House Indianapolis, Indiana</p>	<p align="center">Iowa</p> <p>Iowa State Commerce Commission Des Moines, Iowa</p> <p align="center">Kansas</p> <p>Kansas Corporation Commission New England Building Topeka, Kansas</p> <p align="center">Kentucky</p> <p>Department of Motor Transportation Frankfort, Kentucky</p> <p align="center">Louisiana</p> <p>Louisiana Public Service Commission State Capitol Building Baton Rouge, Louisiana</p> <p align="center">Maine</p> <p>Public Utilities Commission Augusta, Maine</p> <p align="center">Maryland</p> <p>Public Service Commission of Maryland 1721 Munsey Building Baltimore 2, Maryland</p> <p align="center">Massachusetts</p> <p>Department of Public Utilities State House Boston 33, Massachusetts</p> <p align="center">Michigan</p> <p>Michigan Public Service Commission Lansing 13, Michigan</p> <p align="center">Minnesota</p> <p>Railroad and Warehouse Commission State of Minnesota, State Office Building St. Paul, Minnesota</p> <p align="center">Mississippi</p> <p>Mississippi Public Service Commission State Office Building Jackson, Mississippi</p> <p align="center">Missouri</p> <p>Public Service Commission Jefferson City, Missouri</p> <p align="center">Montana</p> <p>Board of Railroad Commissioners of the State of Montana Helena, Montana</p> <p align="center">Nebraska</p> <p>Nebraska State Railway Commission Capitol Building Lincoln, Nebraska</p>
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***Names and Addresses of State Regulatory Bodies Having
Jurisdiction over Fares of Motor Carriers of Passengers***

<p>Nevada Public Service Commission of Nevada Carson City, Nevada</p> <p>New Hampshire Public Service Commission State House Concord, New Hampshire</p> <p>New Jersey Board of Public Utility Commissioners State House Trenton, New Jersey</p> <p>New Mexico State Corporation Commission of New Mexico Santa Fe, New Mexico</p> <p>New York Public Service Commission, State of New York State Office Building Albany 1, New York</p> <p>North Carolina North Carolina Utilities Commission Raleigh, North Carolina</p> <p>North Dakota North Dakota Public Service Commission Bismarck, North Dakota</p> <p>Ohio Public Utilities Commission of Ohio Columbus 15, Ohio</p> <p>Oklahoma Corporation Commission Capitol Office Building Oklahoma City 5, Oklahoma</p> <p>Oregon Public Utilities Commissioner of Oregon Public Service Building Salem, Oregon</p> <p>Pennsylvania Public Utility Commission Harrisburg, Pennsylvania</p> <p>Rhode Island Public Utility Administrator Department of Business Regulation, State House Providence, Rhode Island</p> <p>South Carolina South Carolina Public Service Commission Columbus 1, South Carolina</p>	<p>South Dakota Public Utilities Commission Pierre, South Dakota</p> <p>Tennessee Tennessee Railroad and Public Utilities Commission Nashville, Tennessee</p> <p>Texas Texas Railroad Commission Tribune Building Austin, Texas</p> <p>Utah Public Service Commission of Utah Capital Building Salt Lake City, Utah</p> <p>Vermont Public Service Commission Montpelier, Vermont</p> <p>Virginia State Corporation Commission of Virginia State Office Building Richmond, Virginia</p> <p>Washington Washington Public Service Commission Insurance Building Olympia, Washington</p> <p>West Virginia Public Service Commission of West Virginia Charleston, West Virginia</p> <p>Wisconsin Public Service Commission of Wisconsin State Office Building Madison, Wisconsin</p> <p>Wyoming Wyoming Public Service Commission Cheyenne, Wyoming</p> <p>District of Columbia Public Utilities Commission of the District of Columbia District Building Washington, D. C.</p>
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***Court or Commission Decisions Which Bear Upon the Rate-Making
Standards in Effect in the Various States*****Arizona**

State v. Tucson Gas, 15 Ariz. 294, 305, 138 Pac. 781; *Ariz. East. R.R. v. State*, 19 Ariz. 409, 171 Pac. 906; *Corp. Commission v. Pacific Greyhound*, 54 Ariz. 159, 94 P. 2d 443; *Ethington v. Wright*, 66 Ariz. 382, 189 P.2d 209; *El Paso S & W.R. Co. v. Corp. Commission*, 51 F. 2d 573.

California

Re rate applications of Pacific Greyhound Lines, and five other carriers, C.P.U.C. Dec. No. 42422, 48 P.U.C. of Cal. 383, dated Jan. 12, 1949. (interim rate increase), and same applications, C.P.U.C. Dec. No. 43081, 48 P.U.C. of Cal. 779, dated June 28, 1949 (permanent rate increase).

Connecticut

New Haven v. New Haven Water Company, 118 Conn. 389, in which the following standard was stated:

“Ultimate conclusions as to the reasonableness of rates must be reached with due regard to their effect both upon the Company and the public; they must not be so low as to be confiscatory or so high as to exceed the value of the services to the consumers. ‘No satisfactory definition of reasonable, as applied to rates, applicable to each case, can be made. Each must be decided upon its own facts and upon a consideration of many varying elements.’ ”

See also Turner v. Connecticut Company, 91 Conn. 692.

Delaware

Smith v. Delaware Coach Co., 70 Atl (2nd) 257, in which a Commission order authorizing a temporary increase in rates was reversed because there had been no notice to the public and no hearing.

Florida

Order No. 1653, Docket 3180, *Florida Railroad and Public Utilities Commission*, in which an operating ratio of 93% applicable to motor carriers of property was approved as reasonable.

Georgia

Southern Railway Co. v. Atlanta Stove Works, 128 Ga. 207, 57 S.E. 429, in which it was held that any economic or industrial factor which may potentially influence transportation may be considered by the Commission.

In practice, the Commission considers rate of return, operating expenses, the nature and lucrativeness of the carriers’ routes, and any special conditions of the carriers or their operations. The result of these considerations, a fare determination, is prima facie a determination of a “just and reasonable” fare. *Georgia Public Service Commission, et al. v. Atlanta & West Point R.R. Co.*, 164 Ga. 822, 139 S.E. 725 (1927);

Southern Bell Telephone & Telegraph Company v. Georgia Public Service Commission, 203 Ga 832, 49 S.E. 2d 38 (1948).

Illinois

Lowden v. Ill. Com. Comm., 376 Ill. 225; 33 N.E. 2d 430; *Edwardsville v. Bell Tel. Co.*, 310 Ill. 618; 142 N.E. 197; *Utility Comm. v. Springfield Gas Co.*, 291 Ill. 209, 218; 125 N.E. 891, 896; *Peoples Gas Light & Coke v. Slattery*, 373 Ill. 31, 69; 25 N.E. 2d 482, 500.

Indiana

Re Terre Haute City Lines, Inc., Cause No. 22463, before the Public Service Commission of Indiana.

Kansas

Emporia v. Tel. Co., 90 K 118, 133 Pac. 858; *R.R. Co. v. Utilities Comm.*, 95 K. 604, 148 P. 667; *Tel. Co. v. Utilities Comm.*, 97 K. 136, 154 P. 262; *Hutchinson v. Hutchinson Gas Co.*, 125 K. 346, 264 P. 68; *Wichita Gas Co. v. P. Service Comm.*, 126 K. 220, 268 P. 111; *A.T. & S.F. Rly. Co. v. Pub. Serv. Comm.*, 130 K. 478, 287 P. 608; *A.T. & S.F. Rly. Co. v. Corp. Comm.*, 150 K. 553, 95 P (2) 554; *Tel. Co. v. State Corp. Comm.*, 169 K. 457.

Maine

Public Utilities Commission v. Lewiston-Auburn Transit Company, re Increase in Fares, order dated February 23, 1949; *Public Utilities Commission v. Community Bus Lines, Inc.*, re Increase in Rates, order dated August 27, 1949.

Maryland

Baltimore Transit Co. v. Hessey, Md. 75, Atl (2) 76 (1950); *Hessey v. Capital Transit Co.*, Md. 66, Atl (2) 787 (1949); *Capital Transit Co. v. Bosley*, 191 Md. 502, 62 Atl (2) 267 (1948); *Pennsylvania Railroad v. P.S.C.*, 126 Md. 59; *P.S.C. v. Northern Central Railway Co.*, 122 Md. 355; *Miles v. Public Serv. Comm.*, 151 Md. 337; *P.S.C. v. United Railways*, 155 Md. 572. Appeal dismissed 49 S. Ct. 79, 278 US 567. This case came back to the Court of Appeals which reaffirmed its decision in 157 Md. 70 and was reversed by the Supreme Court in 50 Sup. Ct. 123, 280 US 134; *Re Application of the Baltimore and Annapolis Railroad Company* for Authority to Increase its Existing Schedules of Passenger Tariffs and Rates, Case No. 4978, before the P.S.C. of Md., Public Service Commission of Maryland-Report, Vol. XL, 1949 P. 34; *Re Application of the Consolidated Gas Electric Light and Power Company of Baltimore* for Authority to Increase its Existing Schedules of Tariffs and Rates, Case No. 4979, before the P.S.C. of Md., Public Service Commission of Maryland-Report, Vol. XL, 1949, P. 97;

***Court or Commission Decisions Which Bear Upon the Rate-Making Standards
in Effect in the Various States (Continued)***

Re Proposed Increased Rates for Taxicab Service in Baltimore City, Case No. 5023, before the P.S.C of Md., Public Service Commission of Maryland-Report, Vol. XL, 1949, P. 208;

Re Application of the Chesapeake & Potomac Telephone Company for Authority to Increase its Existing Schedules of Tariffs and Rates, before the P.S.C. of Md., Case No. 4968.

Massachusetts

Donham v. Public Service Commissioners, 232 Mass. 309, 122 North Eastern 397;

Boston, Worcester and New York Street Railway Company, D.P.U. 9392, decided May 11, 1951;

Holyoke Street Railway Company, D.P.U. 9411, decided May 11, 1951;

Fitchburg & Leominster Street Railway Company, D.P.U. 9414, decided May 18, 1951.

Michigan

Docket No. D-3476 decided April 10, 1950;

Docket No. D-3094, decided December 3, 1940.

Minnesota

Re Application of Northland Greyhound Lines, Inc., for Authority to Increase Intrastate Passenger Fares, A.T.C. Docket No. 65, A.T.C. Order No. 1409, decided April 25, 1950;

Supplemental Report Issued May 11, 1951.

Montana

Montana Horse Products Co. v. Great Northern Ry. Co., 7 P. (2d) 919, 91 Mont. 194;

Montana, W. & S.R. Co. v. Morley (Mont.), 198 F. 991.

Nebraska

Omaha & Council Bluffs St. Ry. Co. v. Nebraska State Railway Commission, 103 Neb. 695, 173 N.W. 690.

New Hampshire

State v. Maine Central R.R., 77 N.H. 425;

B. & M. R.R. v. Great Falls Mfg. Co., 79 N.H. 467.

New Jersey

Public Service Coordinated Transport v. State, 5 N.J. 196.

Pennsylvania

Blue Mountain Telephone & Telegraph Co. v. Public Utility Commission, 165 Pa. Super. 320; 67 A 2nd 145;

Solar Electric Co. v. Public Utility Commission, 137 Pa. Super. 325; 9 A 2nd 447;

Schuylkill Valley Lines, Inc. v. Public Utility Commission, 165 Pa. Super. 393; 68 A 2nd 448;

Peoples Natural Gas Company v. Public Utility Commission, 141 Pa. Super. 5; 14 A 2nd 133;

Pittsburgh v. Public Utility Commission, 158 Pa. Super. 229; 44 A 2nd 614.

Rhode Island

Public Utilities Commission v. East Providence Water Company, 48 R.I. 376 (construction of the word "reasonable" as used in the statutes);

New England Telephone & Telegraph Company v. Thomas A. Kennelly, Public Utility Administratory, 75 R.I. 442.

Vermont

Re New England Tel. & Tel. Co. (May 1951), 80 Atl. 2d 671;

Re New England Tel. & Tel. Co., 115 Vt. 494, 66 Atl. 2d 135;

Jones v. Montpelier & Barre Light & Power Co., 96 Vt. 397, 120 Atl. 102;

Rutland Ry. Light & Power Co. v. Burditt Bros., 94 Vt. 421, 111 Atl. 582.

Washington

South Bay Motor Freight Co. v. Schaaf, 3 Wn. (2d) 466, 101 P. (2d) 584 (a truck case);

State ex rel Pacific Tel. & Tel. Co. v. Department of Public Service, 19 Wn. (2d) 200, 142 P. (2) 498.

Wisconsin

Wisconsin Telephone Co. v Public Service Commission, 232 Wis. 274.

Wyoming

Gore v. John, 157 Pac. (2d) 552.

District of Columbia

Capital Transit Company, P.U.C. No. 3453, Formal Case No. 363, decided May 8, 1947;

Capital Transit Company, P.U.C. No. 3186102; Formal Case No. 380, decided October 1, 1948;

Capital Transit Company, P.U.C. No. 3499; Formal Case No. 396, decided June 28, 1950;

Washington Gas Light Company v. Baker (The District of Columbia Court of Appeals, decided Dec. 21, 1950 and not yet reported, writ of certiorari denied, 95 Law Ed. 453.)

Note

No applicable decisions in the following States: Alabama, Arkansas, Colorado, Idaho, Iowa, Kentucky, Louisiana, Mississippi, Missouri, Nevada, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia.

***Method of Regulation of Fares of Privately Owned
Local or Urban Carriers of Passengers***

Alabama

The Alabama Commission has authority to regulate local or urban motor carriers of passengers but the fares of such carriers are regulated under an entirely different statute from that pertaining to intercity motor carriers of passengers. The rate-making standard applicable to local carriers is substantially the same as that contained in the Interstate Commerce Act.

Arizona

Article 15, Section 3, of the Arizona Constitution provides that incorporated cities and towns may be authorized by law to exercise supervision over public service corporations doing business therein, including regulation of rates and charges to be made and collected by such corporations.

California

Unless all operations of a local carrier are entirely within a single municipality, the State Public Utilities Commission has jurisdiction over its fares, local, urban, interurban, or otherwise. If all operations of the carrier are within a single municipality, then the municipality has or can have rate-making power subject to its charter.

Colorado

Under its constitution, Colorado is a home-rule State, and, consequently, the Public Utilities Commission does not have jurisdiction over local transit operations in home-rule cities, which are as follows: Boulder, Canyon City, Colorado Springs, Delta, Denver, Durango, Fort Collins, Fort Morgan, Grand Junction, Monte Vista, Montrose and Pueblo.

Florida

The fares of local or urban motor carriers of passengers are regulated by local councils and commissions.

Georgia

Urban motor carriers are regulated by the municipal authorities of the cities in which they operate, except

in cases where a street railway operation has been preceeded by a local bus operation.

Idaho

The State Commission has no jurisdiction over motor vehicles operated within any incorporated city or village or territory contiguous thereto. The regulation of fares of carriers so operating is under the jurisdiction of the municipalities.

Indiana

The Indiana Public Service Commission has jurisdiction over all local transit bus operations except in those few cases where such operations are conducted under franchises or contracts granted by or entered into with the respective cities and towns.

Iowa

The State of Iowa is a home-rule State and hence the Iowa Site Commerce Commission does not have jurisdiction over the rates and services of local transit operations, such authority being vested in the respective home-rule municipalities.

Kansas

The State Commission has no jurisdiction over motor carriers operating wholly within the corporate limits of a city or village or between contiguous cities or villages or between any city or village in Kansas or another State and the suburban territory in Kansas within 3 miles of the corporate limits thereof. The fares of such carriers are regulated by the governing bodies of the various cities, which are given powers to fix maximum rates under a statutory provision which prohibits the governing body from fixing a rate that would prevent the carrier from earning a reasonable rate upon the fair value of its property used or useful in public service.

Louisiana

The State Commission has no jurisdiction over local or urban motor carriers of passengers who operate within a seven-mile radius of an incorporated village, town, or city.

*Method of Regulation of Fares of Privately Owned
Local or Urban Carriers of Passengers*

Michigan

The Michigan Commission has no jurisdiction over privately owned local or urban motor carriers of passengers, such jurisdiction being vested in the city governments.

Mississippi

The respective municipalities have the power to fix the rates and charges of persons operating vehicles for the transportation of persons for compensation within the limits of the municipalities. No rate-making standard is contained in the statute.

Missouri

Unless the carrier is a street railroad which uses both street cars and buses, the State Commission has no jurisdiction over its fares. Buses operating over regular routes in cities and their suburban territory are generally exempted from the State statute, and in such instances the fares ordinarily are fixed by contract with the city authorities or by arbitration.

New Mexico

Local or urban motor carriers of passengers are regulated by the municipality in which they are situated.

New York

The answers given in response to the questionnaire apply to local or urban carriers of passengers except with respect to such operations in the City of New York. In that city fares of the local carriers are fixed by a franchise contract between the city and the carriers.

Ohio

The Ohio Commission does not have authority to regulate passenger fares of motor transportation companies operated wholly within the limits of a city.

Oklahoma

The Oklahoma Corporation Commission has jurisdiction only of carriers for hire who operate between

or pass through two or more incorporated cities or towns.

Oregon

The authority of the State Commission does not extend to intracity passenger fares for transportation within incorporated cities and within a radius of three air miles beyond the corporate limits except in cases where such transportation is a part of a trip beyond the three-mile limit. Urban rates and fares are subject to regulation by the respective cities and towns.

South Dakota

Local or urban motor carriers of passengers are regulated by the respective municipal governments.

Tennessee

The regulation and control of local or urban motor carriers of passengers are entirely within the jurisdiction of the local governing body of all incorporated towns. In the few small unincorporated villages throughout the State the control of such carriers, if they exist, is in the State Railroad and Public Utilities Commission.

Texas

The Railroad Commission has no authority over carriers operating wholly within the limits of an incorporated town or the suburbs thereof. The fares of such carriers are fixed by the respective municipalities.

Virginia

The State Corporation Commission has jurisdiction to regulate suburban carriers which operate between cities, on the one hand, and towns and places within a reasonable radius of the cities, on the other. Otherwise intracity motor passenger fares are regulated by the respective cities.

Wyoming

Fares of local or urban motor carriers of passengers are regulated locally by municipal authorities.

American Transit Association
292 Madison Avenue
New York 17, N.Y.

January 1, 1951

**List of States Showing Whether State Regulatory
Commissions or City Authorities Have Jurisdiction
Over Fares of Urban Transit Companies.**

State	Authority Having Jurisdiction over Fares of Urban Transit Companies Operating the Following Services:			Source of Information
	Electric Railway	Trolley Coach	Motor Bus	
Alabama	Public Service Commission <i>(Note: Birmingham Electric Company is now the only company operating street cars and trolley coaches in this state)</i>	Public Service Commission	City Authorities, unless operations are part of a street railway system and then are under Commission Authority.	Public Service Commission, 10/25/48
Arizona	None operated	None operated	Corporation Commission (Municipally owned and operated companies are not subject to the jurisdiction of the Corporation Commission)	Corporation Commission, 10/23/48
Arkansas	None operated	Concurrent jurisdiction Arkansas Public Service Commission and City Authorities.	Concurrent jurisdiction Arkansas Public Service Commission and City Authorities.	Public Service Commission, 11/12/48
California	Public Util. Commission	Public Util. Commission	City Authorities—unless operations are part of a street railroad corporation then are under Commission authority. <i>(Municipally-owned and operated companies are not subject to the jurisdiction of the Public Utilities Commission)</i>	Public Utilities Commission, 10/28/48
Colorado	Public Util. Commission <i>(Except in "Home Rule" cities which are as follows: Boulder, Canon City, Colorado Springs, Delta, Denver, Durango, Ft. Collins, Ft. Morgan, Grand Junction, Monte Vesta, Montrose and Pueblo.)</i>	Public Util. Commission	Public Util. Commission	Public Util. Commission, 10/26/48
Connecticut	None operated	None operated	Public Util. Commission	Public Util. Commission, 10/20/48
Delaware	None operated	City Authorities <i>(Note: There is no Commission in this state.)</i>	City Authorities	ATA files (Commerce Clearing House, Inc. "Public Util. and Carriers Service")
District of Columbia	Public Util. Commission	None operated	Public Util. Commission	Public Util. Commission, 10/22/48
Florida	<i>(Note: Municipal Transit system of St. Petersburg, only street car system in state, discontinuing rail operations)</i>	None operated	City Authorities	ATA files (Commerce Clearing House, Inc. "Public Util. and Carriers Service")

State	Authority Having Jurisdiction over Fares of Urban Transit Companies Operating the Following Services:			Source of Information
	Electric Railway	Trolley Coach	Motor Bus	
Georgia	None operated	Public Service Commission	City Authorities- Except when motor bus service is in lieu of, or succeeds street railway service which has been under jurisdiction of P.S. Comm. in which case Comm. retains authority over fares	Public Service Commission, 10/25/48
Idaho	None operated	None operated	City Authorities	Public Util. Commission, 10/25/48
Illinois	Commerce Comm. <i>(The Commission has no jurisdiction in cities having a population of 500,000 or more when they establish a unified local transportation system (Chicago Transit Authority) nor over municipally-owned utilities, Note: Municipalities may have jurisdiction over public utilities by a "home rule" referendum but up to the present time it does not appear that any city has taken advantage of the referendum.)</i>	Commerce Comm.	Commerce Comm.	Commerce Comm., 11/17/48
Indiana	City Authorities	City Authorities	Public Service Commission, unless operations are under franchises or contracts granted by cities or towns in which case the latter have authority	ATA files (Commerce Clearing House, Inc. "Public Util. and Carriers Service")
Iowa	City Authorities	City Authorities	City Authorities	State Corporation Commission, 10/22/48
Kansas	City Authorities	City Authorities	City Authorities	State Corporation Commission, 11/6/48
Kentucky	None operated	Department of Motor Transportation	Dept. of Motor Transportation (Not a part of PSC)	Public Service Commission, 10/21/48 and Statute Revision Comm., 4/10/50
Louisiana	Public Service Commission <i>(Except in City of New Orleans where City has sole jurisdiction)</i>	Public Service Commission	City Authorities	Public Service Commission, 10/21/48
Maine	Public Util. Commission	None operated	Public Util. Commission	Public Util. Commission, 10/27/48
Maryland	Public Service Commission	Public Service Commission	Public Service Commission	Public Service Commission, 10/19/48
Massachusetts	Dept. of Public Util. <i>(Note: Fares of the Metropolitan Transit Authority as well as other municipally-owned and operated companies are subject to approval by the Dept. of Public Utilities.)</i>	Dept. of Public Util.	Dept. of Public Util.	Dept. of Public Util., 11/10/48
Michigan	City Authorities	City Authorities	City Authorities	ATA files (Commerce Clearing House, Inc. "Public Util. and Carriers Service")

State	Authority Having Jurisdiction over Fares of Urban Transit Companies Operating the Following Services:			Source of Information
	Electric Railway	Trolley Coach	Motor Bus	
Minnesota	Railroad & Warehouse Commission	Railroad & Warehouse Commission	Railroad & Warehouse Commission	Railroad & Warehouse Commission, 11/12/48
Mississippi	None operated	None operated	City Authorities	Public Service Commission, Rec'd, 10/25/48
Missouri	Public Service Commission	Public Service Commission	City Authorities - Unless buses are operated as part of a street car system and then are under Commission Authority	Public Service Commission, 11/13/48
Montana	Board of Railroad Commissioners (Note: St. Ry. Dept. of Anaconda Copper Mining Co. only railway company left in the state)	None operated	Board of Railroad Commissioners	Board of Railroad Commissioners, 10/22/48
	(Note: Board of R.R. Commissioners is ex-officio Public Service Commission and has jurisdiction over all methods of transportation "for hire.")			
Nebraska	State Railway Commission	None operated	State Railway Commission	State Railway Commission, 10/21/48
Nevada	None operated	None operated	City Authorities	Public Service Commission, 10/25/48
New Hampshire	None operated	None operated	Public Service Commission	Public Service Commission, 11/1/48
New Jersey	Board of Public Utility Commissioners	None operated	Board of Public Utility Commissioners Except: The Board has no jurisdiction over auto-buses with a carrying capacity of not more than eight passengers operated under municipal consent wholly within the limits of a single municipality	Board of Public Utility Commissioners, 10/20/48
New Mexico	None operated	None operated	City Authorities	State Corporation Commission, 11/9/48
New York	Public Service Commission	Public Service Commission	Public Service Commission	Public Service Commission, 10/26/48
	(Note: The jurisdiction of the Commission as to all transit facilities owned or operated by a municipality shall apply solely to the safety of the roadbed, rolling stock, equipment and appliances)			
North Carolina	None operated	Utilities Commission	Utilities Commission	Utilities Commission, 10/29/48
North Dakota	None operated	None operated	City Authorities*	Public Service Commission, 10/28/48
	(*The Public Service Commission may change the rates of a public utility company upon its own motion or upon petition of 25 percent of the users or customers within the incorporate limits of any city, town or village.)			

State	Authority Having Jurisdiction over Fares of Urban Transit Companies Operating the Following Services:			Source of Information
	Electric Railway	Trolley Coach	Motor Bus	
Ohio	City Authorities	City Authorities	City Authorities	Public Util. Commission, Rec'd 10/26/48
Oklahoma	None operated	None operated	City Authorities	Corporation Commission, 10/12/48
Oregon	City Authorities (Note: Subject to the approval of the Public Utilities Commission.)	City Authorities	City Authorities	Public Util. Commission, 11/16/48
Pennsylvania	Public Util. Commission	Public Util. Commission	Public Util. Commission	Public Util. Commission, 10/26/48
Rhode Island	None operated	Department of Business Regulation	Department of Business Regulation	Office of Public Util. Administrator, 11/10/48
South Carolina	None operated	City Authorities	City Authorities	ATA files (Commerce Clearing House, Inc. "Public Util. and Carriers Service")
South Dakota	None operated	None operated	City Authorities	Public Utilities Commission, 10/26/48
Tennessee	None operated	City Authorities	City Authorities	Railroad and Public Utilities Commission, 11/12/48
Texas	City Authorities	City Authorities	City Authorities	Railroad Commission, 10/28/48
Utah	None operated	None operated	Public Service Commission	Dept. of Business Regulation, 11/8/48
Vermont	Public Service Commission (Note: Mt. Mansfield El. R.R. Co. only railway company left in state.)	None operated	Public Service Commission	Public Service Commission, 10/20/48
Virginia	State Corporation Commission except in cities authorized by law to fix rates and charges of any public service corporation operating wholly within limits of such cities under franchises granted by said cities	None operated	City Authorities	State Corporation Commission, 11/4/48
Washington	None operated	Dept. of Transportation (City Council if municipally owned)	Dept. of Transportation (City Council if municipally owned)	Dept. of Transportation, Rec'd 10/23/48
West Virginia	None operated	None operated	Public Service Commission	Public Service Commission, 10/19/48
Wisconsin	Public Service Commission	Public Service Commission	Public Service Commission	Public Service Commission, 11/13/48
Wyoming	None operated	None operated	City Authorities	Public Service Commission, Rec'd 11/15/48

